

VOLUME CAP SELECTION CRITERIA APPLICATION GUIDE

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APPLICATION PROCESS AND TIMELINE

NJ Housing and Mortgage Finance Agency (“HMFA”) staff shall announce any Notice of Funding Availability (“NOFA”) at least 45 calendar days prior to the application deadline date (the “NOFA Deadline”). In order to be considered for a reservation of volume cap, projects shall have obtained an HMFA Board-Approved Declaration of Intent (DOI) and shall provide documentation to support qualification under any applicable Selection Criteria by the NOFA Deadline.

Shortly after a NOFA closes, eligible projects shall be ranked based on the attached Selection Criteria. Once HMFA is notified by Treasury of the amount of volume cap available for the NOFA, Project Sponsors shall then be notified if they have received a reservation of volume cap.

Awarded Sponsors shall have one year from notification of a volume cap reservation to obtain a mortgage commitment for tax exempt financing from the HMFA Board.

Failure to fulfill any provisions as represented by the Project Sponsor in this Application or failure to meet the above deadline may result in the rescission of the volume cap reservation but would not preclude eligibility to submit a request under the next NOFA.

ELIGIBILITY

Submit in this section a copy of the project's Board-Approved Declaration of Intent (DOI) and a Form 10 signed by Multifamily and the application sponsor, dated within 6 months prior to the NOFA deadline.

VOLUME CAP SELF SCORE

Please submit the Volume Cap Points and Ranking Criteria self-score sheet in this section.

PLEASE NOTE: Projects that contain both new construction and rehabilitation of existing building(s) shall calculate their score utilizing a weighted average based on applicable percentage of units for each type.

In addition, all units in the project must qualify for a point category in order for the application to receive the points.

TOTAL DEVELOPMENT COST CAPS

Please note the Cost Containment Limits below, referenced in the Multifamily Programs and Lending Selection, Underwriting and Financing Guidelines and Policy, approved on August 13, 2015.

Cost Containment Limits (per unit):

4 residential floors or less	\$250,000
5 or 6 residential floors	\$275,000
7 residential floors and above	\$300,000

Permitted Exclusions:

- Capitalized permanent reserves and escrows
- Non-basis eligible off-site improvements
- Deferred developer fee, if any

In the event the per unit cost exceeds the per unit cap amount, or if the Agency deems the cost to be excessive, the Agency will require that the Borrower provide quantitative analysis and justification of the costs; and/or the Agency will commission an independent analysis to confirm the cost, with the Sponsor paying for that analysis.

EQUITABLE DISTRIBUTION

After a NOFA closes, all eligible projects shall be ranked based on the approved Selection Criteria. Successful applications will be awarded a reservation of volume cap based on their score, which has been reviewed and confirmed by HMFA, starting with the highest scoring project and continuing to the lowest until the available volume cap funding has been exhausted.

Provided HMFA receives a sufficient number of eligible applications to result in the following allocation percentages, the following minimum distributions shall apply:

1. No less than 50% of the available volume cap under each NOFA shall be made available to projects which consist of rehabilitation of existing building(s).
2. No less than 50% of the available volume cap under each NOFA shall be made available to non-age restricted family projects.

Only in such cases where the minimum distributions described above are not met will HMFA reserve volume cap outside of the aforementioned procedures.

TIE-BREAKER

In the event of a tie score based on the Points and Ranking Criteria, Volume Cap shall be awarded to the Applicant requesting the least amount of Volume Cap funds per affordable unit.

Complete the following:

_____ Volume Cap request / _____ # of affordable units

=

_____ Amount of Volume Cap per affordable unit

RANKING CRITERIA

1. AFFORDABILITY

Up to 15 points shall be awarded to projects that elect to meet certain affordability restrictions.

Check one of the options below, if applicable. Submit, as evidence, Schedule 10-D from the Form 10 signed by Multifamily and the application sponsor, dated within 6 months prior to the NOFA deadline. Note: For currently occupied projects, affordability points shall be calculated based on the income levels of the existing residents at the time of application. Therefore, such projects shall also submit a current rent roll noting income.

_____ Project Sponsors that elect to restrict at least 60% of the total units to meet both income and rent restrictions at 60% or less of area median income (AMI) for the applicable county shall be awarded 10 points.

OR

_____ Project Sponsors that elect to restrict at least 40% but less than 60% of the total units to meet both income and rent restrictions at 60% or less of area median income (AMI) for the applicable county shall be awarded 7 points.

_____ Project Sponsors that elect the 20% at 50% federal set aside as defined under Section 42(g)(1)(A) of the Internal Revenue Code shall receive 5 points. Projects can elect this option IN ADDITION to the 7-10 points above. NOTE: If the 20 percent at 50 percent election is selected, all of the affordable units in the project shall be restricted to 50 percent of the area median income adjusted for family size.

2. RENTAL ASSISTANCE

Up to 10 points shall be awarded for projects with project-based rental assistance. Please check the applicable option and submit the proper documentation in this section.

_____ RAD conversion – 10 points

Projects participating in HUD's Rental Assistance Demonstration (RAD) program shall be eligible for 10 points. As evidence, a Commitment to enter into a Housing Assistance Payments Contract (CHAP) shall be submitted.

OR

_____ Project-based Section 8 or other project-based rental assistance for 100% of the units (excluding any superintendent's or manager's units) – 10 points

_____ Project-Based Section 8 or other project-based rental assistance for more than 50% of the units, but less than 100% (excluding any superintendent's or manager's units) - 5 points

As evidence, submit one of the following:

- a. Executed Housing Assistance Payments Contract (HAP) effective for a minimum of 10 years beyond the anticipated construction completion date
- b. Firm commitment for project-based rental assistance from the Public Housing Authority (PHA) for a minimum of 10 years, or
- c. Expiring HAP contract and a letter from HUD which evidences a commitment to renew the contract for a minimum of 10 years beyond the anticipated construction completion date

3. ACCESS TO TRANSIT - 5 points

Five points shall be awarded to projects with all units located within a ½ mile of public transportation. Submit in this section the applicable pages from the market analysis or alternatively, a letter from an approved market study analyst which evidences the proximity of the project in relation to transit can be submitted in lieu of a complete market study report.

4. FINANCING

Up to 10 points shall be awarded to projects that have firm commitments for soft (non-amortizing) loans and/or grants from federal/state/municipal entities as a permanent source.

- Over 25.00% of Total Development Costs - 10 points
- 10.01% - 25.00% - 7 points
- Up to 10.00% - 5 points

As evidence, submit a copy of all firm commitments for financing. The following forms of financing shall not be considered eligible funding sources for purposes of this point category:

- a) Any soft loans/grants from HMFA
- b) Amortizing loans, except for the full payment deferral of such loans
- c) Assumption of previously expended soft loans or grants
- d) Short term, construction-only loans or grants
- e) Equity from Tax Credits (state or federal)

Amount of Eligible Commitments _____ /

Total Development Costs _____ =

% of Total _____

Up to 10 points shall be available to projects that utilize HMFA for long term financing. Check one of the options below, if applicable.

_____ Construction/Permanent or Permanent only HMFA Bond Financing (Traditional) –
10 points

_____ Construction/Permanent or Permanent only HMFA Bond Financing (Conduit) –
8 points

5. NEW CONSTRUCTION PROJECTS - Up to 35 points

2015 Targeted Urban Municipalities (TUM) List

Urban Aid Cities with Poverty Rates greater than 8.1%
Asbury Park
Atlantic City
Bayonne
Bridgeton
Camden
Carteret Borough
Clifton
East Orange
Elizabeth
Garfield
Glassboro
Gloucester City
Hackensack City
Hillside Township
Hoboken
Irvington Township
Jersey City
Kearny
Lakewood Township
Lindenwold Borough
Lodi Borough
Long Branch
Mount Holly
Neptune City
Neptune Township
New Brunswick
Newark
North Bergen
Orange
Passaic
Paterson
Pemberton Township
Penns Grove Borough
Pennsauken
Perth Amboy
Phillipsburg
Plainfield
Pleasantville
Rahway
Roselle
Salem
Trenton
Union City
Vineland
Weehawken
West New York
Winslow Township
Woodbury City

a. Projects located outside of a Targeted Urban Municipality (TUM) shall be awarded 10 points.

b. Non-age restricted, family projects with at least 20% large family units shall be eligible for 10 points.

"Large family unit" means a unit within a non-age-restricted project with three or more bedrooms. For every three bedrooms, there must be at least 1.5 bathrooms. A three-bedroom unit must measure no less than 950 square feet. A four-bedroom unit should measure no less than 1,150 square feet. (Excluded from the calculation are common halls, stairways, unfinished basements and attics, garages, balconies and porches.)

Submit, as evidence, Schedule 10-D from the Form 10 signed by Multifamily and the application sponsor, dated within 6 months prior to the NOFA deadline.

Source: Urban Aid List SFY 2015, New Jersey Department of Community Affairs; US Census, American Community Survey 2009-2013 Poverty Status in the Past 12 month 5 year estimates

c. Site Selection – up to 6 points

Up to 6 points shall be awarded to projects where all of the units are proximate to any of the following land uses. For purposes of this point category, “proximity” shall be defined as located within 1/2 mile for positive land uses and within 1 mile for negative land uses. .

Submit in this section the applicable pages from the market analysis or alternatively, a letter from an approved market study analyst which evidences the proximity of the project in relation to positive/negative land uses can be submitted in lieu of a complete market study report.

Positive Land Uses - Two points each, unless noted, for a maximum of 6.

- (1) Full service grocery store or supermarket (minimum 15,000 sq ft)
- (2) Pharmacy
- (3) Department or Retail Merchandise Store
- (4) Bank/Credit Union
- (5) Restaurant, exclusive of fast food restaurants
- (6) Indoor public recreation facilities, such as civic centers, community centers, libraries
- (7) Outdoor public recreation facilities such as parks, and swimming pools
- (8) Hospital/medical clinic
- (9) Medical offices (physician, dentistry, optometry)
- (10) Public Schools (non-senior projects only);
- (11) Senior Center
- (12) Religious Institution – eligible for only one point
- (13) Licensed Day Care Services (non-senior projects only);
- (14) Post Office, City Hall, County Courthouse; and
- (15) Fire/Police Station

Negative Land Uses – Three points deducted for proximity to any of the following:

- (1) Land fill;
- (2) Garbage dump;
- (3) Trash incinerator;
- (4) Nuclear power plant;
- (5) Oil/chemical refinery;
- (6) Unremediated Superfund or toxic waste site as identified by the EPA

Example: A project is located within one-half mile of an elementary school, a grocery store and an oil refinery. The project shall be awarded one point.

d. GOALS and HIGHER OPPORTUNITY - Up to 9 points

- (1) Proficient School District (3 points). School districts that met the requirement of 66% proficient or advanced proficient on the NJ ASK Grade 4 standardized test in both math and language arts during either the most current year's data available (2014) or the preceding year (2013) will be eligible for 3 points. Please contact the Tax Credit Division at 609-278-7629 for a list of eligible school districts.
- (2) Employment Zone (3 points). Submit evidence that the average annual employment for the municipality totals at least 95% of the housing units in the municipality during either most current year's data available (2014) or the preceding year (2013) based on the New Jersey Department of Labor Quarterly Census of Employment and Wages, Municipal Reports by Sector found at http://lwd.dol.state.nj.us/labor/lpa/employ/qcew/qcew_index.html and the American Community Survey (2014 or 2013) five-year estimates, Table B25001 (Housing Units) found at: <http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>
- (3) Total Development Costs (3 points). Three points shall be awarded to projects with total development costs that do not exceed \$250,000 per unit, excluding capitalized permanent reserves, non-basis eligible off-site improvements and required deferred developer fee, if any.
- (4) Municipal Fair Share Plan (2 points). A project which satisfies a municipal affordable housing obligation and is part of a court-approved municipal fair share housing development plan shall receive two points. Applicants shall submit the fair share housing development plan listing the project and evidence of court approval (e.g. court order, executed settlement agreement, etc.) in the application.

6. REHABILITATION PROJECTS – Up to 35 points

a. HMFA-financed properties with three or more months of arrearages and a workout plan approved by the Executive Director shall be awarded 20 points. Submit in this section confirmation from the NJHMFA Executive Director and Chief Financial Officer that the project's workout plan has been approved.

b. Acquisition Costs – up to 6 points

Submit, as evidence, Schedule 10-B from the Form 10 signed by Multifamily and the application sponsor, dated within 6 months prior to the NOFA deadline.

If applicable, check the correct option below:

_____ Acquisition costs (including land and building, but excluding any permanent seller's note) is less than 25.00% of Total Development Costs – 6 points

_____ Acquisition costs (including land and building, but excluding any permanent seller's note) is more than 25.00% but less than 50.00% of Total Development Costs – 3 points

c. Hard Costs per Unit – up to 9 points

Submit, as evidence, Schedule 10-B from the Form 10 signed by Multifamily and the application sponsor, dated within 6 months prior to the NOFA deadline.

If applicable, check the correct option below:

_____ The sum of Construction Costs + Hard Cost Contingency is greater than \$50,000 per unit – 9 points

_____ The sum of Construction Costs + Hard Cost Contingency is greater than \$25,000 per unit but less than \$50,000 per unit – 6 points